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C O N F I D E N T I A L SECTION 01 OF 04 PANAMA 000325

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TAGS: [EWWT](#) [KNNP](#) [PTER](#) [ETTC](#) [PREL](#) [PM](#) [POL](#) [CHIEF](#)

SUBJECT: PANAMA'S PROGRESS ON MARITIME SECURITY -- GOOD OVERALL BUT WORK REMAINS

REF: A. 2002 PANAMA 3800

- [B.](#) 2003 PANAMA 798
- [C.](#) 2003 PANAMA 1558
- [D.](#) 2003 PANAMA 1608
- [E.](#) 2003 PANAMA 1634
- [F.](#) 2003 PANAMA 2017
- [G.](#) 2003 PANAMA 2307
- [H.](#) 2003 PANAMA 2409
- [I.](#) 2003 PANAMA 2453
- [J.](#) 2003 STATE 340550
- [K.](#) 2003 PANAMA 3298
- [L.](#) 2003 PANAMA 3300
- [M.](#) STATE 25533

Classified By: Econ Chief, Andrew N. Bowen for reasons 1.5(d)

[1.](#) (SBU) The September 11 attacks called significant attention to the potential for terrorist exploitation of Panama,s leading maritime position. Panama has the world,s largest flag state registry with approximately 6300 vessels over 500 gross metric tons and approximately 300,000 seafarers. Additionally, approximately two-thirds of Canal traffic originates or terminates at U.S. ports, roughly 13% of U.S. seaborne trade. Nearly, 27 percent of foreign-flagged cargo ships arriving at U.S. ports are Panamanian. Moreover, approximately 150 U.S. military vessels, including nuclear-powered U.S. submarines ("high value transits"), visit Panamanian ports and/or transit the Canal each year.

[2.](#) Given these equities, during the past year, the Embassy, through its Maritime Security Working Group and in coordination with Washington agencies, has undertaken a broad Maritime Security agenda with the GOP (REFTELS). We have seen a strong willingness on the part of the Moscoso Administration for Panama to meet its responsibilities as a major maritime player. Progress has been particularly good since President Moscoso's appointment in June 2003 of Panama,s Public Security and National Defense Council ("the Consejo") Executive Secretary Ramiro Jarvis to coordinate maritime security matters. Key components of the agenda include: secure seafarer documents, U.S. force protection, port security, container security, export controls, proliferation security, and strengthening GoP institutions (REF C). Progress by the GOP has been good on all of the fronts and in several cases the ball is in our court; however, we will have to keep the pressure on the GOP to follow-through, in particular, on ISPS implementation and new seafarer documents. The fact that this is an election year in Panama will not facilitate things, but should also not hinder progress too much. The following paragraphs provide a brief update of key components of our agenda, which continues to evolve as the USG develops its broader maritime security strategy.

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Component 1: Convince the GOP to create a secure system for seafarer documents, to include biometric markers, and verified credentials for Panama,s merchant marine.  
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[3.](#) (C) Panama,s Maritime Authority (AMP) assured the Embassy that the Ministry of Economy and Finance (MEF) would tender a public bid for creation of such a system by January [2004](#). MEF has allocated close to \$3 million in order to fund the process; however, the public tender remains pending. The new documents will comply with requirements of the International Labor Organization,s (ILO) Convention 108 (pertaining to International Identification Documentation), which issued directives for seafarer documents following a request from the International Maritime Organization (IMO). The GOP and ILO maintain, however, that full-blown biometrics are not required for this credential, although it will contain some security features. The AMP is weighing the possibility of including a fingerprint on the document. Regardless of the Panamanian document's quality and improved controls on how such documents will be issued (Ref G), we remain concerned that the GoP will be challenged to conduct adequate background checks on seafarers. While Consejo

Director Jarvis has indicated that the Embassy would have access to the names of the applicants, we will continue to press the GOP to obtain unfettered access to the seafarer database to monitor issuance. (Note: Corruption/graft by AMP officials and Panamanian Consuls in the issuance of seafarer,s documents has been well documented (Ref B)).

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Component 2: Push for the GOP to assure adequate, permanent facilities for National Maritime Service (SMN) bases, particularly at Pacific and Atlantic entrances to the Canal.  
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14. (C) On October 9, 2003 the Interoceanic Region Authority (ARI) signed over title to a new facility near the Atlantic entrance of the Canal for the SMN. The Consejo has also received an oral commitment from the Pacific-side concessionaire that the SMN will be granted "long term use rights" to a facility located on the concessionaire,s property. NAS funds have been earmarked to assist the GOP in reconstructing its Atlantic side pier facilities for the SMN. Embassy is currently working closely with the SMN to begin construction on the pier and associated facilities.

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Component 3: Develop a force protection arrangement to cover Canal transits by nuclear-powered U.S. submarines.  
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15. (C) This component focuses on force protection procedures for high value transits (HVTs) through the Canal. The Consejo is consulting with the Panama Canal Authority (ACP) and security-related GOP agencies. The GOP appears willing to conclude an arrangement whereby force protection procedures will be incorporated into ACP regulations. A formal GOP reply/counter-proposal is expected by mid-March; we are optimistic that we can conclude some kind of agreement before the current government leaves office September 1, 2004.

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Component 4: Support the creation of an analytical unit to monitor freight and container movements to enhance security.  
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16. (SBU) Implementation of the U.S. Customs, Container Security Initiative (CSI) will facilitate the creation of such a unit. A CSI port assessment team visited Panama mid-January 2004. Post is awaiting the results of that assessment. (NOTE: Roughly 4 million containers (TEU) transited the Panama Canal in 2003; approximately 2 million containers (TEUs) were handled in Panama's ports; but, only 75 thousand containers were loaded onto ships in Panamanian ports and ended up in the U.S. (2002 stats)).

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Component 5: Press the GOP to create port captaincies with national security/law enforcement authority or port security chief positions to coordinate these functions.  
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17. (C) The GOP has designated the AMP with port captaincy responsibility instead of the SMN, as reflected by absence of authorizing text in the most recent draft of the SMN,s Organic Law. However, to create a check and balance on the AMP, the Embassy is considering advocating that the AMP be required to designate a law enforcement officer from the SMN to be located at each port to assist the captain of the port. Comment: our concern about the AMP fulfilling this role is twofold - first, the AMP is debilitated by graft and corruption; second, the AMP does not have the law enforcement authority or capability to serve as the port captaincy.

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Component 6: Urge implementation of legislative/regulatory enhancements necessary for Export Controls and the International Ship and Port Facility Security (ISPS) Code  
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18. (C) Export Controls: The USG through the State Department,s Export Control and Related Border Security Assistance (EX-BIS) program and the Department of Commerce,s Transshipment Country Export Control Initiative (TECI) is working with Panama to develop and improve its export/transshipment controls. The GOP sent a team of key decision-makers to Washington to work with Commerce, Customs, and State Department officials December 8-11, 2003 to, inter

alia, review the legal requirements for establishing an export control law and to improve its export/transshipment controls. Based on that visit the GOP has committed to introducing draft legislation to control the export, re-export, transit and transshipment of strategic items through the territory of Panama by April 2004.

19. (C) ISPS: The AMP is making considerable headway in this endeavor, despite resistance from the powerful and politically motivated Panama Maritime Lawyers Association. After designating Phoenix Services group (a U.S. company) as the primary Recognized Security Organization (RSO) for vessels in August 2003, AMP responded to Japanese shipping companies' concerns by designating two additional RSOs on December 15: Singapore based Singapore Technologies and London-based Universe Security Group. The AMP has begun receiving applications for ship security plans, and has completed the reviews of some key shipping lines like Ned Lloyd. The AMP fully recognizes that it will not/not certify all of the required vessels in its fleet prior to the July 1 deadline. AMP officials note that it expects to certify all ships above 1500 GMTs by the deadline, but that the laggards will be those ships between 500 - 1500 GMTs. AMP officials note that most of the Panamanian flagged fleet (approximately 70 percent) never travel to the U.S.

110. (C) The AMP has also made the preliminary announcement of a second layer of "verifying RSO,s" that will physically match individual security plans to specific vessels. Unfortunately three of the designated verifying RSO,s from Panama appear to be USCG Priority 1, or blacklisted, on safety grounds. Nonetheless, the AMP has maintained that including these societies was politically necessary to appease local industry. AMP argues that since evaluations for security are distinct from those for safety, it's premature to discard these RSO,s. Finally, the AMP has assured the USG that should any of these RSOs fail in the security arena, the AMP would have a "One strike and you're out" policy.

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Component 7: Urge the passage of an organic law for the SMN to provide a framework for its institutional development and for implementation of professional programs with stability for key personnel.  
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111. (C) The organic law, approved by the Moscoso Cabinet, was submitted to Panama's legislative Assembly for passage in early December 2003. Whether ultimately passed or not, the organic law will at minimum take effect as a "Ley Ejecutivo." The law defines the SMN's primarily law enforcement mission and protects the institution and personnel (Ref L). Some observers have criticized the organic law as inadequate to meet the SMN's bureaucratic needs. However, the law gives the SMN greater legitimacy and could help buttress the SMN's bureaucratic strength, if the SMN were able to find a Director with better political skills than the current one.

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Component 8: Negotiate a bilateral agreement on cooperation in homicide, kidnapping and terrorism cases on the high seas.  
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112. (C) State's L/OES is currently preparing instructions containing a draft MOU proposed by USCG HQ.

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Component 9: Push for control and verification of Panama,s maritime security and ISPS compliance by a national authority like the Consejo  
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113. (C) The Consejo has been assigned the responsibility of inter-agency coordination of Panama,s maritime security to include working with Panama,s Maritime Authority (AMP) on ISPS compliance. This marks a major step forward for Panama.

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Component 10: Negotiation of a Proliferation Security Initiative (PSI) Boarding Agreement with Panama  
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114. (C) As laid out in ref K, the GOP is open to negotiating and concluding a boarding agreement to target ships suspected of carrying weapons of mass destruction (WMD), delivery

systems and/or related materials. However, the GOP has indicated its preference that the supplemental maritime agreement signed on February 5, 2002, between the USG's Coast Guard, the GOP's National Maritime Service (SMN) and National Air Service (SAN), be amended to fulfill the purpose of a PSI agreement. Post is optimistic that with the guidance provided in Ref M (dated 4 Feb 04) we will be able to move forward with amendment of the supplemental maritime agreement to fulfill USG PSI objectives.

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